

MEMORANDUM

TO: Joint Budget Committee

FROM: Patrick Brodhead, JBC Staff (303-866-4955)

SUBJECT: Informational Capital Construction Supplemental Requests

DATE: February 1, 2010

This memorandum addresses three capital construction FY 2009-10 supplemental requests that were submitted by the Office of State Planning and Budgeting (OSPB). Typically, capital construction requests are first heard by the Capital Development Committee (CDC) and then referred to the Joint Budget Committee (JBC). These capital construction requests will not be heard by the CDC until February 9, 2010 because the CDC is waiting for the final pricing of the COP refinancing to be completed. For this reason, staff recommends that the JBC delay any formal vote on these requests until after that meeting. However, staff would like to give the JBC a brief description of these requests to gauge whether the Committee is interested in pursuing the savings identified in the requests. If the CDC approves these requests at their February 9th meeting, JBC staff will make a more formal presentation to the JBC, at which point the JBC will have an opportunity to vote on the requests.

The three requests submitted by OSPB include: (1) refinancing the Certificates of Participation (COPs) for the Colorado State Penitentiary II (CSP II); (2) refinancing the Higher Education Federal Mineral Lease (FML) COPs; and (3) refinancing the Anschutz medical campus COPs. These requests are summarized below.

1. The first request involves refinancing the COPs for CSP II. The request seeks a savings of \$10 million associated with this refinancing. This savings would include a FY 2009-10 supplemental reduction of \$8,175,782 capital construction funds appropriated for the CSP II payments, plus a transfer of \$1,824,218 from the Corrections Expansion Reserve Fund (CERF) to the General Fund. The CERF funds were appropriated in FY 2009-10 for the CSP II payments. **The transfer of the CERF funds to the General Fund would require a bill.** The following table shows the estimated savings from refinancing the CSP II COPs.

Estimated Savings from CSP II Refinancing		
Fiscal Year Ending	Current Payment Schedule	Proposed Payment Schedule
June 30, 2010	\$11,085,175	\$0
June 30, 2011	13,940,350	7,749,688
June 30, 2012	13,938,850	17,619,750
June 30, 2013	13,938,250	17,618,750
June 30, 2014	13,939,000	17,619,250
June 30, 2015	13,937,250	17,619,750
June 30, 2016	13,937,000	17,618,750
June 30, 2017	13,937,000	17,619,750
June 30, 2018	13,936,000	17,616,000
June 30, 2019	13,937,750	17,621,000
June 30, 2020	13,935,750	15,697,500
June 30, 2021	<u>13,938,750</u>	<u>0</u>
Sum of All Years	\$164,401,125	\$164,400,188
Estimate Present Value Savings:		\$807,297

2. The second request involves refinancing the Higher Education FML COPs. The request seeks a FY 2009-10 savings of \$750,000 associated with this refinancing. This savings would involve a cash funds transfer from the Higher Education FML Revenues Fund to the General Fund. **The transfer of the FML Revenues cash funds to the General Fund would require a bill.** The following table shows the estimated savings from refinancing the Higher Education FML COPs.

Estimated Savings from FML Refinancing		
Fiscal Year Ending	Current Payment Schedule	Proposed Payment Schedule
June 30, 2010	\$16,652,725	\$15,671,117
June 30, 2011	16,654,550	8,318,127
June 30, 2012	16,653,475	8,824,755
June 30, 2013	16,652,575	19,337,695
June 30, 2014	16,651,075	19,614,423
June 30, 2015	16,651,181	19,898,125
June 30, 2016	16,653,613	20,172,467
June 30, 2017	16,653,663	19,939,787
June 30, 2018	16,650,163	20,456,307
June 30, 2019	16,564,725	17,947,749
June 30, 2020	16,563,450	17,836,868
June 30, 2021	16,564,656	17,989,619
June 30, 2022	16,563,125	18,171,850
June 30, 2023	16,564,438	16,922,401
June 30, 2024	16,561,888	17,924,919
June 30, 2025	16,566,025	17,908,663
June 30, 2026	16,563,000	17,877,263
June 30, 2027	16,566,250	17,345,013
June 30, 2028	<u>16,563,300</u>	<u>3,192,700</u>
Sum of All Years	\$315,513,877	\$315,349,848
Estimate Present Value Savings:		\$480,000

3. The third request involves refinancing the Anschutz medical campus COPs. The request seeks a FY 2009-10 savings of \$4,196,981 associated with a supplemental reduction of capital construction funds appropriated for the Anschutz medical campus COP payments. The following table shows the estimated savings from refinancing the Anschutz COPs.

Estimated Savings from Anschutz Refinancing					
Fiscal Year Ending	Original Total Base Rentals	Savings	New Total Base Rentals	Cash Funds from Tobacco Settlement	General Fund Transfer Needed
June 30, 2010	\$13,142,063	\$4,196,981	\$8,945,082	\$8,000,000	\$945,082
June 30, 2011	13,143,213	3,448,537	9,694,676	8,000,000	1,694,676
June 30, 2012	13,144,713	363	13,144,350	8,000,000	5,144,350
June 30, 2013	13,141,563	(1,505,238)	14,646,801	8,000,000	6,646,801
June 30, 2014	13,143,650	(1,504,288)	14,647,938	8,000,000	6,647,938
June 30, 2015	13,142,888	(1,506,013)	14,648,901	8,000,000	6,648,901
June 30, 2016	13,143,038	(1,505,063)	14,648,101	8,000,000	6,648,101
June 30, 2017	13,145,388	(1,500,688)	14,646,076	8,000,000	6,646,076
June 30, 2018	13,141,838	(1,507,875)	14,649,713	8,000,000	6,649,713
June 30, 2019	13,143,213	(1,504,913)	14,648,126	8,000,000	6,648,126
June 30, 2020	13,141,963	(1,505,413)	14,647,376	8,000,000	6,647,376
June 30, 2021	13,142,213	(1,506,788)	14,649,001	8,000,000	6,649,001
June 30, 2022	13,142,963	(1,503,913)	14,646,876	8,000,000	6,646,876
June 30, 2023	13,143,213	(1,506,538)	14,649,751	8,000,000	6,649,751
June 30, 2024	13,141,963	(1,338,663)	14,480,626	8,000,000	6,480,626
June 30, 2025	13,145,806	526,838	12,618,968	8,000,000	4,618,968
June 30, 2026	13,142,356	10,298,419	2,843,937	2,843,938	(1)
June 30, 2027	13,143,594	0	13,143,594	8,000,000	5,143,594
June 30, 2028	13,142,375	0	13,142,375	8,000,000	5,142,375
June 30, 2029	13,146,375	0	13,146,375	8,000,000	5,146,375
June 30, 2030	13,146,250	0	13,146,250	8,000,000	5,146,250
June 30, 2031	<u>13,145,625</u>	<u>0</u>	<u>13,145,625</u>	<u>8,000,000</u>	<u>5,145,625</u>
Total	\$289,156,263	\$575,745	\$288,580,518	\$170,843,938	\$117,736,580